



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
LEWIS COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES**

April 30, 2001

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
LEWIS COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES**

April 30, 2001

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2000 Taxes for Lewis County Sheriff as of April 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

The Sheriff had a net tax yield of \$2,122,486 for 2000 taxes. The Sheriff distributed taxes of \$2,035,241 to the districts for 2000 Taxes. Taxes of \$1,732 are due to the districts from the Sheriff and refunds of 2,469 are due to the Sheriff from the taxing districts.

Report Comments:

- The Sheriff Should Publish His Annual Settlement
- The Sheriff Should Timely Pay The Board Of Education Its Share Of Interest Earned
 - The Sheriff Should Collect And Pay Advertising Costs To The County As Required By Law

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable George M. Plummer, Lewis County Judge/Executive

Honorable William D. Lewis, Lewis County Sheriff

Members of the Lewis County Fiscal Court

Independent Auditor's Report

We have audited the Lewis County Sheriff's Settlement - 2000 Taxes as of April 30, 2001. This tax settlement is the responsibility of the Lewis County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Lewis County Sheriff's taxes charged, credited, and paid as of April 30, 2001, in conformity with the basis of accounting described in the preceding paragraph.

In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable George M. Plummer, Lewis County Judge/Executive

Honorable William D. Lewis, Lewis County Sheriff

Members of the Lewis County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following areas of noncompliance.

- The Sheriff Should Publish His Annual Settlement
- The Sheriff Should Timely Pay The Board Of Education Its Share Of Interest Earned
- The Sheriff Should Collect And Pay Advertising Costs To The County As Required By Law

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
February 11, 2002

LEWIS COUNTY
WILLIAM D. LEWIS, SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES

April 30, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 244,691	\$ 242,540	\$ 786,506	\$ 274,036
Tangible Personal Property	12,020	11,727	34,524	27,541
Intangible Personal Property				4,822
Fire Protection	5,268			
Increases Through Exonerations	32	24	103	36
Franchise Corporation	145,228	142,381	428,762	
Bank Franchises	25,016			
Penalties	2,730	2,771	8,681	3,067
Adjusted to Sheriff's Receipt		12	10	8
Gross Chargeable to Sheriff	<u>\$ 434,985</u>	<u>\$ 399,455</u>	<u>\$ 1,258,586</u>	<u>\$ 309,510</u>
<u>Credits</u>				
Exonerations	\$ 3,328	\$ 3,097	\$ 10,694	\$ 3,723
Discounts	3,618	3,020	9,733	3,729
Delinquents:				
Real Estate	8,708	9,350	27,618	9,615
Tangible Personal Property	14	20	39	118
Uncollected Franchise Corporation	<u>35,460</u>	<u>40,338</u>	<u>107,828</u>	
Total Credits	<u>\$ 51,128</u>	<u>\$ 55,825</u>	<u>\$ 155,912</u>	<u>\$ 17,185</u>
Net Tax Yield	\$ 383,857	\$ 343,630	\$ 1,102,674	\$ 292,325
Less: Commissions *	<u>16,601</u>	<u>12,228</u>	<u>44,107</u>	<u>12,711</u>
Net Taxes Due	\$ 367,256	\$ 331,402	\$ 1,058,567	\$ 279,614
Taxes Paid	366,444	330,516	1,059,103	279,178
Refunds (Current and Prior Year)	384	287	1,234	431
Penalty				<u>1</u>
Due Districts or (Refund Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ 428</u>	<u>\$ 599</u>	<u>\$ (1,770)</u>	<u>\$ 6</u>

* and ** see page 4

LEWIS COUNTY
 WILLIAM D. LEWIS, SHERIFF
 SHERIFF'S SETTLEMENT - 2000 TAXES
 April 30, 2001
 (Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	936,700
4% on	\$	1,102,674
1% on	\$	73,112

** Special Taxing Districts:

Library District	\$	184
Health District		(699)
Extension District		815
Black Oak Fire District		25
Garrison Fire District		184
Firebrick Fire District		90

Due Districts or Refunds Due Sheriff	\$	<u>599</u>
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The accompanying notes are an integral part of the financial statement.

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT

April 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 30, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT
April 30, 2001
(Continued)

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 22, 2000 through April 30, 2001.

Note 4. Interest Income

The Lewis County Sheriff earned \$2,207 as interest income on 2000 taxes. The Sheriff failed to pay the school district its share of interest income on a timely basis as required by statute. As of April 30, 2001, the Sheriff owes \$191 in interest to the school district.

Note 5. Sheriff's 10% Add-On Fee

The Lewis County Sheriff collected \$13,698 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Lewis County Sheriff collected no advertising costs and \$814 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff did not collect the advertising costs for the county as required by statute. The advertising fees were used to operate the Sheriff's office.

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 2000 taxes, the Sheriff had \$2,853 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

COMMENTS AND RECOMMENDATIONS

LEWIS COUNTY
WILLIAM D. LEWIS, SHERIFF
COMMENTS AND RECOMMENDATIONS

April 30, 2001

STATE LAWS AND REGULATIONS:

1. The Sheriff Should Publish His Annual Settlement

We determined that the Sheriff did not publish his annual tax Settlement. KRS 134.310(2) states the settlement shall be published pursuant to KRS Chapter 424. KRS 424.220(6) requires the Sheriff to publish his settlement within 60 days after the end of the Sheriff's fiscal year, which is the Sheriff's settlement date. We recommend all future tax settlements be published in accordance with this KRS.

Sheriff's Response:

In the future KRS 424.220(6) will be adhered to, and settlement will be published.

2. The Sheriff Should Timely Pay The Board Of Education Its Share Of Interest Earned

Our audit revealed the Sheriff failed to distribute interest earned on the investment of school taxes to the board of education on a timely basis as required by KRS 134.140(3)(b). The Sheriff's collection period was September 22, 2000 through April 30, 2001. During this time period the Sheriff made two payments to the school district dated January 10, 2001, and July 24, 2001, in the amounts of \$637 and \$272 respectively. An additional \$191 in interest remains due the board of education. KRS 134.140(3)(b) requires the Sheriff to pay to the board of education its share of interest earned when he makes monthly distributions of taxes. We recommend the Sheriff pay the board of education all interest earned on the investment of school taxes on a timely basis as required by KRS 134.140(3)(b).

Sheriff's Response:

The Sheriff's office has had difficulty in obtaining monthly interest amounts. We shall speak with bank officials and attempt to make all interest payments timely.

Auditor's Note:

The Sheriff's financial institution pays interest to depositors on a quarterly basis. Therefore, interest is not earned monthly and cannot be paid monthly. However, the Sheriff did not pay interest to the board of education on a quarterly basis. We recommend the Sheriff pay to the board of education its share of interest as the interest is earned.

LEWIS COUNTY
WILLIAM D. LEWIS, SHERIFF
COMMENTS AND RECOMMENDATIONS
April 30, 2001
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

3. The Sheriff Should Collect And Pay Advertising Costs To The County As Required By Law

During our audit we noted the Sheriff did not collect an advertising fee for the county when collecting delinquent taxes. KRS 424.330 states a fee of three dollars (\$3.00) per name per publication shall be added to the amount of each tax claim published as publication costs. The fees should be paid to the county when the process of collecting delinquent taxes is completed. We recommend the Sheriff comply with KRS 424.330 by collecting and paying the proper amount of advertising costs to the county.

Sheriff's Response:

Correct fees will be collected in the future.

INTERNAL CONTROL - REPORTABLE CONDITIONS:

None.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

PRIOR YEAR:

No prior year issues were repeated in the current year audit.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

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**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Lewis County Sheriff's Settlement - 2000 Taxes as of April 30, 2001, and have issued our report thereon dated February 11, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Lewis County Sheriff's Settlement - 2000 Taxes as of April 30, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Sheriff Should Publish His Annual Settlement
- The Sheriff Should Timely Pay The Board Of Education Its Share Of Interest Earned
- The Sheriff Should Collect And Pay Advertising Costs To The County As Required By Law

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lewis County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
February 11, 2002

